



The Law Society  
of Upper Canada

Barreau du  
Haut-Canada

2013 Annual Report

# 2013 Financial Statements



**THE LAW SOCIETY OF UPPER CANADA  
2013 ANNUAL REPORT**

**Financial Statements**

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# THE LAW SOCIETY OF UPPER CANADA

## ANNUAL FINANCIAL STATEMENTS

### MANAGEMENT DISCUSSION AND ANALYSIS

The Law Society of Upper Canada's ("The Society") audited financial statements present the operational results and financial position of the General Fund, the Compensation Fund, the Errors & Omissions Insurance Fund ("E&O Fund") and other restricted funds. Separate financial statements have been prepared for the Society's subsidiaries: Lawyers' Professional Indemnity Company ("LAWPRO") and LibraryCo Inc. ("LibraryCo").

#### **Summary of Financial Performance**

The Society is reporting an operating surplus of \$3.8 million in 2013, compared to \$5.1 million in 2012. The lawyer and paralegal General Fund, which reports the bulk of the Society's operations, had a surplus of \$2.4 million (2012 – \$276,000) during the year.

- Regulatory and professional development & competence expenses were held at 2012 levels and were under budget by \$2.8 million.
- Continuing professional development revenues slightly exceeded 2012 levels and were also higher than budget. The related expenses were less than 2012 as budgeted.

The Compensation Fund balance increased by \$534,000 due to favourable developments in the provision for unpaid grants and investment income and in the E&O Fund, revenues, primarily premiums, exceeded amounts remitted to LAWPRO by \$2.1 million.

#### **Balance Sheet**

##### *Current Assets and Liabilities*

Primarily due to the surplus for the year, cash and short-term investments increased by \$3.1 million to \$39.1 million. Amounts due from LAWPRO decreased by \$2.6 million, with premiums written exceeding cumulative fund payments. The other significant change in working capital was the \$2 million increase in deferred revenue to \$13.2 million. The latter increase relates primarily to more future year membership fees received in 2013 as compared to 2012. The timing of these payments does not follow a pattern and is dependent on when members actually pay their fees.

##### *Investment in Subsidiaries*

Investment in subsidiaries comprises the Society's investments in LibraryCo and LAWPRO recorded at cost. The Society owns all the common shares of LibraryCo at a cost of \$100. The LAWPRO investment is made up of two parts: the cost of the acquired share capital of \$4,997,000 purchased in 1991 when LAWPRO was established, plus contributed capital of \$30,645,000 accumulated between 1995 and 1997.

### *Portfolio Investments*

Portfolio investments are shown at fair value of \$77.1 million compared to \$70.9 million in 2012. Investments are held in the following funds:

(\$000's)	2013	2012
E&O Fund	<b>29,576</b>	27,299
Compensation Fund	<b>33,000</b>	30,223
General Fund	<b>14,573</b>	13,342
Total	<b>77,149</b>	70,864

Investments comprise Canadian equities (19%) and Canadian fixed income investments (81%). The portfolio is managed in compliance with the Society's investment policy. Fixed income investments include a diversified mix of government, provincial and corporate bonds with an investment rating of BBB or better. Equity investments include a diversified mix of securities listed on the Toronto Stock Exchange.

### *Capital Assets*

The decrease in capital assets to \$13.7 million from \$14.7 million reflects amortization for the period, offset by \$2.4 million in additions for projects such as the replacement of infrastructure and the enterprise content management initiative. Capital assets are recorded at cost and are amortized over their useful lives according to the Society's capital asset policy. Capital asset additions are typically financed from the Society's Capital Allocation Fund.

### *Provision for Unpaid Grants / Claims*

This balance includes the provisions for the Compensation Fund's unpaid grants and the E&O Fund's unpaid claims. It has decreased from \$10.7 million in 2012 to \$10 million in the light of slightly better claims experience in the Compensation Fund.

The provision for unpaid grants in the Compensation Fund represents the estimate for unpaid claims and inquiries against the Compensation Fund, supplemented by the costs for processing these claims and has decreased from \$10.3 million to \$9.8 million due to a moderate decrease in grants anticipated to be closed with payment. The paralegal Compensation Fund provision for unpaid grants comprises \$98,000 (2012 – \$155,000) of the total \$9.8 million Compensation Fund provision for unpaid grants.

At \$168,000, the balance of the E&O Fund provision for unpaid claims has decreased from \$391,000. This provision is in run-off mode and all claims pre-date 1995.

### *Unclaimed Trust Funds*

Unclaimed trust funds continue to increase, now totalling \$3.2 million compared to \$2.7 million at the end of 2012. These are trust monies turned over to the Society by lawyers who are unable to locate or identify the clients to whom the monies are owed. To date, monies returned to clients from the fund have been nominal. By statute, the Society administers the unclaimed trust funds, in perpetuity, and is entitled to reimbursement for administrative expenses to a limit of the annual income earned on funds held. Net income, if any, is available for transfer to the Law Foundation of Ontario ("LFO"). To date, administrative expenses have exceeded income and no transfers to the LFO have been made.

### *Other Trust Funds*

Included in the notes to the financial statements, but not the Balance Sheet, is a reference to other trust funds held by the Society. The Society administers client funds for lawyers under voluntary or court-ordered trusteeships. These funds and matching liabilities are not reflected on the Balance Sheet as they are held temporarily and with a restricted administrative mandate. Money paid to the Society is held in trust until it is repaid to the appropriate payee or transferred to the Unclaimed Trust Funds. At the end of 2013, total funds held in trust amounted to \$2.8 million (2012 – \$3.8 million). The volume and value of balances depend on trusteeships at the time.

## **Statement of Revenues and Expenses and Change in Fund Balances**

### **Revenues**

#### *Annual Fees*

Total annual fee revenues have increased to \$70.8 million from \$67.4 million in 2012 attributable to an increase in the fee for lawyers of \$25 and for paralegals of \$14 and an increase in the number of lawyers and paralegals billed.

#### *Insurance Premiums and Levies*

The E&O Fund accounts for insurance related transactions between LAWPRO, the Society and insured lawyers. The E&O Fund collects premiums and levies from lawyers and remits these amounts to LAWPRO.

Insurance premiums and levies increased from \$101.7 million in 2012 to \$102.4 million in 2013. The base premium for professional liability insurance coverage for Ontario lawyers was \$3,350 per lawyer, the same premium charged in 2012. The professional liability insurance program was essentially the same, year on year. The number of insured lawyers was slightly higher than 2012. The totals of transaction levies and claims history surcharges were static.

#### *Professional Development & Competence (“PD&C”)*

Total PD&C revenues have increased slightly from \$17.1 million in 2012 to \$17.4 million in 2013.

- Licensing Process revenues from lawyer and paralegal candidates have increased from \$8.9 million to \$9.4 million due to a higher number of candidates. The Licensing Process fees for lawyers and paralegals were both unchanged from 2012. The Law Foundation of Ontario approved grants totaling \$572,000 for the 2013 lawyer and paralegal Licensing Processes, 30% lower than 2012.
- Continuing Professional Development revenues have decreased nominally from \$8.2 million to \$8 million. The proportion of registrations for paid versus free programs has decreased slightly from 43% paid in 2012 to 42% paid in 2013. Total registrations have increased from 84,000 in 2012 to 89,000 in 2013. For the first time, in 2014 there will be a nominal charge for previously free courses.

#### *Investment Income*

Total investment income has increased from \$3.4 million to \$4.7 million primarily due to improvements in unrealized gains.

#### *Other Revenues*

Included in other revenues are a variety of items such as referral service fees, the LibraryCo administration fee, *Ontario Reports* royalties, catering revenues, litigation and enforcement cost recoveries, charges for fee payment plans and other miscellaneous revenues.

## **Expenses**

### *Professional Regulation, Tribunals and Compliance*

Regulation related expenses of \$26.2 million total the same as 2012. With the exception of the implementation of the Tribunal Chair which occurred later in the year, the number of budgeted departmental employees was consistent, there were less staff vacancies and expenses for outside counsel and expert witnesses were reduced.

### *Professional Development & Competence (“PD&C”)*

In 2013, total PD&C expenses are less than 2012 (\$21.1 million versus \$21.8 million) and less than budget also by approximately \$960,000. The number of budgeted departmental employees was consistent and there were fewer one-time expenses in continuing professional education.

### *Corporate Services*

Corporate Services expenses, primarily comprising the Client Service Centre, Information Systems, Finance and Human Resources, increased from \$20.3 million in 2012, to \$21.9 million in 2013 due to restructuring and other costs associated with an operational review.

### *Convocation, Policy and Outreach*

These expenses which include the Policy Secretariat and other governance expenses, Equity, Communications and payments to the Federation of Law Societies, decreased by \$200,000 to \$8 million. Bencher remuneration and expense reimbursements were less than budget and the prior year.

### *Services to Members and Public*

These expenses which primarily comprise the Law Society’s Referral Service, payments to CANLII and the Members Assistance Plan, increased from \$3.7 million to \$4.3 million primarily because of an expansion of the capabilities of the Referral Service.

## **Schedule of Restricted Funds**

### *Compensation Fund*

The Compensation Fund mitigates losses sustained by any person as a consequence of dishonesty on the part of a member of the Law Society. In 2013, the combined lawyer and paralegal Compensation Funds experienced an increase in the fund balance of \$534,000 compared to an increase of \$2.2 million in 2012. Lawyer and paralegal revenues are substantially the same at \$10.7 million. The provision for unpaid grants decreased by \$449,000 in 2013 (2012 – \$2.4 million).

### *Errors & Omissions Insurance Fund*

The E&O Fund accounts for insurance-related transactions between LAWPRO, the Society and insured lawyers. As analyzed in the revenue section above, insurance premiums and levies increased slightly from \$101.7 million in 2012 to \$102.4 million in 2013. Expenses of the Fund have increased from \$99 million in 2012 to \$101.9 million in 2013.

### *County Libraries Fund*

Funding of county libraries totalled \$7.5 million compared to the 2012 funding of \$7.3 million.

#### *Parental Leave Assistance Plan (“PLAP”)*

PLAP is one of the funds included under “Other Restricted” funds. PLAP provides financial assistance to lawyers in firms of five lawyers or fewer who do not have access to any other parental leave financial benefits. Under the program terms for 2013, the Society provided a fixed sum of \$750 a week to eligible applicants for up to 12 weeks to cover expenses associated with maintaining their practice during a maternity, parental or adoption leave. Convocation has approved an extension of the PLAP pilot project to permit further evaluation of the program, and instituted a means test by which an applicant must have a net annual practice income of less than \$50,000 to be eligible for the PLAP. The new means test will be effective as of January 1, 2014. Benefit payments totaled \$418,000 to 54 successful applicants (2012 - \$343,000 to 39 successful applicants).

#### *Changes in Fund Balances*

The 2013 budget planned to reduce the lawyer General Fund balance by \$2.75 million. Based on actual results, and after the transfer of \$10.7 million from the Working Capital Reserve and the budgeted transfer of \$3 million from the accumulated surplus investment income in the E&O Fund, the lawyer General Fund has increased by \$14.7 million. The lawyer General Fund balance is now \$21.4 million. In 2014, \$446,000 of this accumulated balance has again been earmarked for the reduction of annual fees.

The 2013 budget planned to use \$810,000 from the paralegal General Fund balance, although based on actual results, the paralegal General Fund has increased by \$1 million. The paralegal General Fund balance is now \$1.9 million. In 2014, \$313,000 of this accumulated balance has again been earmarked for the reduction of annual fees.

The Compensation Fund balance of \$25.8 million for lawyers and \$419,000 for paralegals has increased by \$498,000 and \$36,000 respectively during 2013. The 2013 budget planned to reduce the lawyer Compensation Fund balance by \$1.8 million. In 2014, \$707,000 has been earmarked for the reduction of Compensation Fund levies for lawyers and \$40,000 for paralegals.

The E&O Fund balance has decreased from \$65.9 million in 2012 to \$65 million in 2013. \$3 million in surplus investment income accumulated in this fund had been earmarked for the reduction of lawyers’ annual fees and was transferred in 2013. In 2014, \$1.5 million in surplus investment income accumulated in this fund has been earmarked for the reduction of lawyers’ annual fees.

The Capital Allocation Fund is stable at \$4 million. The other restricted funds balance is made up of the J. Shirley Denison Fund, the Repayable Allowance Fund, the Special Projects Fund and the Parental Leave Assistance Plan Fund.

#### **Conclusion**

The Society has completed an operational review to optimize how it fulfills its mandate, remains financially sound and is well placed for the future. The Society’s accumulated fund balances total \$134 million of which \$14 million represents the book value of the Society’s capital assets and \$36 million the value, at cost, of its investments in LAWPRO.

**Independent Auditor's Report**

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To the Members of  
The Law Society of Upper Canada

We have audited the accompanying financial statements of The Law Society of Upper Canada which comprise the balance sheet as at December 31, 2013, and the statements of revenue and expenses and change in fund balances and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Law Society of Upper Canada as at December 31, 2013, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
April 24, 2014

# THE LAW SOCIETY OF UPPER CANADA

## Balance Sheet

*Stated in thousands of dollars*

As at December 31

### Assets

#### Current Assets

	2013	2012
Cash	19,424	19,474
Short-term investments	19,687	16,558
Cash and short-term investments	39,111	36,032
Accounts receivable (note 8)	2,494	2,149
Prepaid expenses	1,621	1,552
Due from LAWPRO (note 4)	3	2,565
<b>Total current assets</b>	<b>43,229</b>	42,298
<b>Investment in subsidiaries (note 4)</b>	<b>35,642</b>	35,642
<b>Portfolio investments (note 6)</b>	<b>77,149</b>	70,864
<b>Capital assets (note 7)</b>	<b>13,653</b>	14,744
<b>Total Assets</b>	<b>169,673</b>	163,548

#### Current Liabilities

Accounts payable and accrued liabilities (note 8)	9,686	9,106
Deferred revenue	13,234	11,255
<b>Total current liabilities</b>	<b>22,920</b>	20,361
Provision for unpaid grants/claims (note 9)	10,003	10,675
Unclaimed trust funds (note 10)	3,195	2,747
<b>Total Liabilities</b>	<b>36,118</b>	33,783

### Fund Balances

#### General funds

Lawyers	21,410	6,710
Paralegals	1,882	847
<b>Restricted funds</b>		
Compensation - lawyers	25,829	25,331
Compensation - paralegals	419	383
Errors and omissions insurance	65,042	65,910
Capital allocation	3,953	4,055
Invested in capital assets	13,653	14,744
Working capital reserve (note 15)	-	10,675
Other	1,367	1,110
<b>Total Fund Balances</b>	<b>133,555</b>	129,765
<b>Total Liabilities and Fund Balances</b>	<b>169,673</b>	163,548

*See accompanying notes*

On behalf of Convocation

Treasurer

Chair of Audit & Finance Committee

**THE LAW SOCIETY OF UPPER CANADA**

**Statement of Revenues and Expenses and Change in Fund Balances**

*Stated in thousands of dollars*

*For the year ended December 31*

	2013	2012	2013	2012	2013	2012	2013	2012
			<b>General Fund Lawyer</b>		<b>General Fund Paralegal</b>		<b>Restricted Funds</b>	
<b>Revenues</b>								
Annual fees	<b>47,879</b>	46,008	3,035	2,323	19,866	19,071	70,780	67,402
Insurance premiums and levies	-	-	-	-	102,428	101,678	102,428	101,678
Professional development and competence	<b>14,458</b>	15,209	<b>2,939</b>	1,880	-	-	17,397	17,089
Investment income (note 13)	<b>1,074</b>	881	<b>85</b>	-	3,520	2,520	4,679	3,401
Other (note 12)	<b>5,599</b>	5,920	<b>466</b>	116	236	555	6,301	6,591
<b>Total revenues</b>	<b>69,010</b>	68,018	<b>6,525</b>	4,319	<b>126,050</b>	123,824	<b>201,585</b>	196,161
<b>Expenses</b>								
Professional regulation, tribunals and compliance	24,263	24,097	1,924	2,189	-	-	26,187	26,286
Professional development and competence	<b>19,252</b>	20,689	<b>1,813</b>	1,131	-	-	21,065	21,820
Corporate services	<b>20,254</b>	19,096	<b>1,640</b>	1,203	-	-	21,894	20,299
Convocation, policy and outreach	<b>7,524</b>	7,787	<b>500</b>	444	-	-	8,024	8,231
Services to members and public	<b>4,068</b>	3,675	<b>206</b>	41	-	-	4,274	3,716
Allocated to Compensation Fund	<b>(7,753)</b>	(7,726)	<b>(600)</b>	(565)	<b>8,353</b>	8,291	-	-
Restricted (schedule of restricted funds)	-	-	-	-	<b>116,351</b>	110,713	<b>116,351</b>	110,713
<b>Total expenses</b>	<b>67,608</b>	67,618	<b>5,483</b>	4,443	<b>124,704</b>	119,004	<b>197,795</b>	191,065
<b>Surplus (Deficit)</b>	<b>1,402</b>	400	<b>1,042</b>	(124)	<b>1,346</b>	4,820	<b>3,790</b>	5,096
<b>Fund balances, beginning of year</b>	<b>6,710</b>	7,199	<b>847</b>	917	<b>122,208</b>	116,553	<b>129,765</b>	124,669
<b>Interfund transfers (notes 2 &amp; 15)</b>	<b>13,298</b>	(889)	<b>(7)</b>	54	<b>(13,291)</b>	835	-	-
<b>Fund balances, end of year</b>	<b>21,410</b>	6,710	<b>1,882</b>	847	<b>110,263</b>	122,208	<b>133,555</b>	129,765

*See accompanying notes*

**THE LAW SOCIETY OF UPPER CANADA**

**Statement of Cash Flows**

*Stated in thousands of dollars*

*For the year ended December 31*

	<b>2013</b>	<b>2012</b>
<b>Net inflow of cash related to the following activities</b>		
<b>Operating</b>		
Surplus	3,790	5,096
Items not affecting cash:		
Decrease in provision for unpaid grants and claims	(672)	(2,707)
Amortization of capital assets	3,484	3,028
Loss on disposal of capital assets	37	-
	<b>6,639</b>	5,417
Accounts receivable	(345)	33
Prepaid expenses	(69)	240
Accounts payable and accrued liabilities	580	-
Due from LAWPRO	2,562	(3,683)
Deferred revenue	1,979	(1,240)
Fund contribution - unclaimed trusts	448	410
<b>Cash from operating activities</b>	<b>11,794</b>	1,177
<b>Investing</b>		
Portfolio investments (net)	(6,285)	(767)
Short-term investments (net)	(3,129)	2,254
Capital asset additions	(2,430)	(2,554)
<b>Cash from investing activities</b>	<b>(11,844)</b>	(1,067)
<b>Net (outflow) inflow of cash, during the year</b>	<b>(50)</b>	110
Cash, beginning of year	19,474	19,364
<b>Cash, end of year</b>	<b>19,424</b>	19,474

*See accompanying notes*

**THE LAW SOCIETY OF UPPER CANADA**  
**Notes to Financial Statements, December 31, 2013**  
Stated in whole dollars except where indicated

**1. Background**

The Law Society of Upper Canada (the “Society”) was founded in 1797 and incorporated in 1822 with the enactment of the Law Society Act.

The Law Society Act, section 4.1, states that it is a function of the Society to ensure that:

- All persons who practise law in Ontario or provide legal services in Ontario meet standards of learning, professional competence and professional conduct that are appropriate for the legal services they provide; and
- The standards of learning, professional competence and professional conduct for the provision of a particular legal service in a particular area of law apply equally to persons who practise law in Ontario and persons who provide legal services in Ontario.

In carrying out its functions, duties and powers, the Society, pursuant to section 4.2 of the Law Society Act, shall have regard to the following principles:

- The Society has a duty to maintain and advance the cause of justice and the rule of law.
- The Society has a duty to act so as to facilitate access to justice for the people of Ontario.
- The Society has a duty to protect the public interest.
- The Society has a duty to act in a timely, open and efficient manner.
- Standards of learning, professional competence and professional conduct for members and restrictions on who may provide particular legal services should be proportionate to the significance of the regulatory objectives sought to be realized.

The governing body of the Society, which is known as Convocation, carries out this mandate. Convocation comprises benchers and the Treasurer who presides over Convocation.

At December 31, 2013, the total membership of the Society exceeded 50,000 lawyers and paralegals. The primary sources of revenues are member annual fees and insurance premiums and levies, set by Convocation, based on the financial requirements of the Society.

The Society is not subject to federal or provincial income taxes.

**2. Nature of Financial Statements**

These financial statements present the financial position and operations of the Society and include the General Fund and a number of special purpose funds restricted by the Law Society Act or Convocation.

***Subsidiaries and Related Corporation***

The Society has two wholly-owned subsidiaries: Lawyers’ Professional Indemnity Company (“LAWPRO”), and LibraryCo Inc. (“LibraryCo”) and a related corporation, the Law Society Foundation.

These entities have not been consolidated or included in the Society's financial statements apart from the information in Notes 4 and 5. The audited annual financial statements for these three entities are available separately.

### ***General Fund***

The General Fund accounts for the Society's program delivery and administrative activities related to the regulation and licensing of lawyers and paralegals. This fund reports unrestricted resources. At December 31, 2013, the lawyer fund balance was \$21,410,000 (2012 – \$6,710,000). During the year, the Working Capital Reserve of \$10,675,000 was transferred to the General Fund. The paralegal fund balance was \$1,882,000 (2012 – \$847,000).

As approved by Convocation in May 2013, the Society's policy is to maintain the General Fund balance at no less than two and no more than three months of General Fund budgeted expenses.

If the General Fund balance exceeds three months of budgeted General Fund expenses, Convocation shall utilize the excess for one or more of the following:

- Mitigate the General Fund levy for the next fiscal year;
- Transfer the excess to another Law Society fund if the fund balance is below its stated policy benchmark.

If the General Fund balance is less than two months of budgeted General Fund expenses, Convocation shall budget for an annual surplus to restore the fund balance to its minimum policy objective. The minimum policy benchmark should be restored within three fiscal periods.

If the General Fund balance is more than two months of budgeted General Fund expenses and less than three months of budgeted General Fund expenses, Convocation may appropriate funds from the General Fund Balance for one or more of the following:

- Mitigate the General Fund levy for the next fiscal year;
- Transfer the excess to another Law Society fund if the fund balance is below its stated policy benchmark.

### ***Restricted Funds***

#### ***Compensation Fund***

The Society maintains the Compensation Fund pursuant to section 51 of the Law Society Act to relieve or mitigate loss sustained by any person in consequence of dishonesty on the part of a member, in connection with the member's professional business or in connection with any trust of which the member was a trustee. The Compensation Fund is restricted in use by the Law Society Act.

Pursuant to the Law Society Act, the Compensation Fund is supported by members' annual fees, investment income and recoveries. The Compensation Fund accounts for program delivery, administration and payment of grants and has separate fund balances for lawyer members and paralegal members.

As approved by Convocation in May 2013, the Society's policy is to maintain the Lawyer Compensation Fund balance at an amount sufficient to provide for a minimum of three successive 99th percentile aggregate claim scenarios (one-in-one-hundred-year event) and a maximum of four such events. The estimated amount of aggregate claims in the 99th percentile is to be actuarially reviewed at least every three years.

If the Lawyer Compensation Fund balance exceeds four one-in-one-hundred year events, Convocation shall utilize some or all of the excess for the following:

- Mitigation of the Lawyer Compensation Fund levy for the next fiscal year;
- Annual mitigation of the Lawyer Compensation Fund levy shall continue such that within the next three fiscal years, the maximum benchmark shall be achieved.

If the Lawyer Compensation Fund balance is less than three one-in-one-hundred-year events, Convocation shall budget for an annual surplus to restore the fund balance to its minimum policy objective. The minimum policy benchmark should be restored within three fiscal periods.

If the Lawyer Compensation Fund balance is more than three one-in-one-hundred-year events and less than four one-in-one-hundred-year events Convocation may:

- Mitigate the Lawyer Compensation Fund levy for the next fiscal year;
- Budget for a surplus sufficient to increase the fund balance to its maximum policy objective of four one-in-one-hundred-year events;
- Leave the fund balance at its current balance for the upcoming fiscal year.

The General Fund allocates certain administrative expenses, spot audit expenses and a portion of the costs of operating the investigation and discipline functions of the Society to the Compensation Fund. In 2013, these amounted to \$8,353,000 (2012 – \$8,291,000). At December 31, 2013, the lawyer share of the fund balance was \$25,829,000 (2012 – \$25,331,000) and the paralegal share of the fund balance was \$419,000 (2012 – \$383,000).

#### ***Errors and Omissions Insurance Fund***

The Errors and Omissions Insurance Fund ("E&O Fund") accounts for insurance-related transactions between LAWPRO, the Society and insured lawyers. The E&O Fund collects premiums and levies from lawyers, reported as revenues, and remits these amounts to LAWPRO, reported as expenses.

Pursuant to section 61 of the Law Society Act, the Society arranges mandatory professional liability insurance for practising lawyers with LAWPRO, and through the E&O Fund, levies the insured lawyers. Each year, the premium for the insurance program is established through a process whereby LAWPRO provides an offer for review and acceptance by Convocation. The offer provides details on the components of the insurance program, including anticipated base premiums, claims history levies, transaction-based levies and amounts to be drawn from the E&O Fund balance.

To the extent that transaction-based levies exceed anticipated amounts, the excess remains in the E&O Fund and is applied as premiums in future years. In the event of a shortfall, the shortfall is met by

additional funds from the E&O fund balance. The net 2013 contribution to the E&O Fund balance was \$334,000 (2012 - \$2,528,000).

There is also a retrospective premium provision under the insurance policy between the Society and LAWPRO. To the extent underwriting results vary from the approved program, additional premiums are charged. Under these provisions, LAWPRO made no retrospective premium assessment in 2013 and 2012.

The E&O Fund also reports claims liabilities for 1995 and prior which are now substantially in run-off mode. The Society retained financial responsibility for insurance policy deductibles through December 31, 1994. Effective 1995, 100% of the risk above the individual member deductible was insured through LAWPRO.

At December 31, 2013, the E&O Fund balance was \$65,042,000 (2012 - \$65,910,000) of which \$35,642,000 (2012 - \$35,642,000) comprises the Society's investment in LAWPRO.

#### ***Capital Allocation Fund***

The Capital Allocation Fund is maintained to provide a source of funds for the acquisition and maintenance of the Society's capital assets. These include buildings and major equipment including computers. Amounts of assets capitalized, according to the Society's capital asset policy, are transferred to the Invested in Capital Assets Fund. Expenditures not capitalized are expended in the Capital Allocation Fund. At December 31, 2013, the balance was \$3,953,000 (2012 - \$4,055,000).

#### ***Invested in Capital Assets Fund***

The Invested in Capital Assets Fund records transactions related to the Society's capital assets, specifically acquisitions, amortization and disposals. At December 31, 2013, the balance was \$13,653,000 (2012 - \$14,744,000), representing the net book value of the Society's capital assets.

#### ***County Libraries Fund***

The County Libraries Fund records transactions related to the Society's support of county law libraries. As approved by Convocation, the fund accumulates funds for county library purposes which are remitted to LibraryCo. The fund balance at December 31, 2013 and 2012 was \$nil.

#### ***Other Restricted Funds***

The Repayable Allowance Fund provides loans for tuition and living expenses to candidates in the lawyer licensing process. At December 31, 2013, the balance was \$316,000 (2012 - \$253,000).

The J. Shirley Denison Fund, an endowment fund, provides relief and assistance to lawyers, candidates in the lawyer licensing process and former lawyers who find themselves in difficult financial circumstances. Contributions for endowments are recognized as revenues. At December 31, 2013, the balance was \$46,000 (2012 - \$53,000).

The Special Projects Fund is maintained to ensure that financing is available for ongoing special projects approved by Convocation. The balance at December 31, 2013 was \$758,000 (2012 - \$538,000).

The Parental Leave Assistance Fund accounts for the delivery of the Parental Leave Assistance Program (“PLAP”) and is funded by lawyers’ fees. The PLAP provides financial assistance to lawyers in firms of five lawyers or fewer who do not have access to any other parental leave financial benefits. Under the program, the Society provides a fixed sum of \$750 a week to eligible applicants for up to 12 weeks to cover expenses associated with maintaining their practice during a maternity, parental or adoption leave. Convocation has approved an extension of the PLAP pilot project to permit further evaluation of the program, and instituted a means test by which an applicant must have a net annual practice income of less than \$50,000 to be eligible for the PLAP. The new means test will be effective as of January 1, 2014. At December 31, 2013, the Fund balance was \$247,000 (2012 – \$266,000), which will be carried over to the next year to fund the program.

### **3. Significant Accounting Policies**

#### ***Basis of presentation***

The financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations set out in the CPA Canada Handbook – Accounting.

#### ***Financial instruments***

The Society’s financial assets and financial liabilities are classified and measured as follows:

<b>Asset / Liability</b>	<b>Measurement</b>
Cash and short-term investments	Fair value
Accounts receivable	Amortized cost
Portfolio investments	Fair value
Accounts payable and accrued liabilities	Amortized cost
Unclaimed trust funds	Amortized cost

Other amounts noted on the Balance Sheet such as prepaid expenses, capital assets, investment in subsidiaries, deferred revenue, and the provisions for unpaid grants/claims, are not financial instruments. Investments in subsidiaries are reported at cost.

The fair value of portfolio investments is determined by reference to published quotations in an active market at year end for fixed income and by reference to transactional net asset value for the Canadian equity pooled fund. Transaction costs are expensed as incurred. The fair value of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities and unclaimed trust funds approximate their carrying values due to their nature or capacity for prompt liquidation.

There has been no change in risk exposures from the previous period.

#### ***Interest rate risk***

The risk that the fair value of financial instruments will fluctuate due to changes in market interest rates is managed through compliance with the Society’s investment policy. The Society has no interest-bearing liabilities.

Fluctuations in interest rates do not have a significant effect on cash and short-term investments of the Society.

#### ***Market risk***

The risk that the fair value of financial instruments will fluctuate due to changes in market prices is managed through compliance with the Society's investment policy which requires a diversified portfolio of government bonds, corporate bonds and Canadian equities meeting specified quality requirements.

#### ***Credit risk***

Credit risk is the possibility that other parties may default on their financial obligations. At year end, the maximum exposure of the Society to credit risk in cash and short and long-term fixed income investments was \$101,776,000 (2012 – \$94,951,000). In compliance with the Society's investment policy, fixed income investments are in the financial obligations of governments, major financial institutions and commercial paper with investment grade ratings.

At year end, the maximum exposure of the Society to credit risk in accounts receivable was \$2,494,000 (2012 – \$2,149,000). This credit risk is minimized by the credit quality and a diverse debtor base. The Society maintains an allowance for potential credit losses.

#### ***Liquidity risk***

Liquidity risk is the risk that the Society will not be able to fund its obligations as they come due, including being unable to liquidate assets in a timely manner at a reasonable price. The Society monitors forecasts of cash flows from operations and investments and holds investments that can readily be converted into cash. Investment income is not a primary source of revenue for the Society and all long-term securities are publicly listed.

The Society has not entered into any derivative transactions. In addition, the Society's contractual arrangements do not have any embedded features.

#### ***Cash and short-term investments***

Cash (bank balances) and short-term investments (less than one year) are amounts on deposit and invested in short-term investment vehicles according to the Society's investment policy.

#### ***Portfolio investments***

Portfolio investments are recorded at fair value. The Society manages financial risk associated with portfolio investments in accordance with its investment policy. The primary objective of the investment policy is to preserve and enhance the real capital base. The secondary objective is to generate investment returns to assist the Society in funding its programs. Convocation monitors compliance with the investment policy and regularly reviews the policy.

#### ***Capital assets***

Capital assets are presented at cost net of accumulated amortization. For purposes of calculating the first year's amortization, all capital assets are deemed to be acquired, put into service, or completed on July 1.

Amortization is charged to expenses on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	30 years
Building improvements	10 years
Furniture, equipment and computer hardware and software	3 to 5 years

#### ***Revenue recognition***

Annual member fees, premiums and levies are set annually by Convocation and are recognized in the year to which they relate if the amount can be reasonably estimated and collection is reasonably assured. Accordingly, fees for the next fiscal year received prior to December 31 have been deferred and are recognized as revenue in the next year. Premium revenues are recognized on a pro rata basis over the term of the respective insurance policies. Premiums related to the unexpired term of coverage at the balance sheet date are reported as deferred revenue. Transaction-based levies are recorded as revenues in the year received.

Professional development & competence, and other revenues and realized investment income/losses are recognized when receivable if the amount can be reasonably estimated. Unrealized investment gains/losses are recognized with changes in the fair value of financial instruments.

Fees and premiums receivable are recorded as accounts receivable on the balance sheet, net of any required provision for doubtful amounts.

#### ***Grant - related balances***

Included in the provision for unpaid grants/claims is the provision for unpaid Compensation Fund grants. Pursuant to section 51(5) of the Law Society Act, the payment of grants from the Compensation Fund is at the discretion of Convocation. Grants paid from the lawyer pool of the Compensation Fund are subject to a \$150,000 limit per applicant. Grants paid from the paralegal pool of the Compensation Fund are subject to a \$10,000 limit per applicant. The Compensation Fund expense represents a provision for unpaid grants, administrative expenses and expenses allocated from the General Fund.

Provisions for unpaid grants are recorded as liabilities on the balance sheet. The measurement of the ultimate settlement costs of claims made to date that underlies the provision for unpaid grants involves estimates and measurement uncertainty. Ultimate costs incurred could vary from current estimates. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the methods of estimation that have been used will produce reasonable results given the current information. These provisions represent an estimate of the present value of grants to be paid for claims and the associated administrative costs net of recoveries. Grant liabilities are carried on a discounted basis using the yield of the underlying assets backing the grant liabilities with a provision for adverse deviation. The discount rate is 1.28% (2012 – 1.05%).

### ***Collections***

The Society owns a collection of legal research and reference material as well as a collection of portraits and sculptures. The cost of additions to the collections is expensed as incurred. No value is recorded in these financial statements for donated items. There have not been any significant changes to the collections in the current year.

### ***Volunteer services***

Convocation, consisting of the Treasurer and benchers, governs the Society. Benchers may be elected by lawyers, paralegals, appointed by the provincial government, have ex-officio status by virtue of their office or past service as elected benchers or Treasurers, or qualify as emeritus benchers. In addition, the Paralegal Standing Committee is responsible for developing policy related to paralegal regulation for Convocation's approval. Licensed paralegals elected five paralegal members to the Paralegal Standing Committee. In December 2013, the Law Society Act was amended so that, with effect from the paralegal elections in March 2014, licensed paralegals will elect five paralegals as benchers and members of the Paralegal Standing Committee.

In total there are 13 members of the Paralegal Standing Committee: five paralegals, five lawyers and three lay benchers. Two paralegal benchers were elected by the Paralegal Standing Committee's five paralegal members and three lay benchers.

Elected and ex-officio benchers and Paralegal Standing Committee members are only eligible for remuneration after contributing 26 days of voluntary time. The work of the Society is also dependent on other voluntary services by lawyers and paralegals. No value has been included in these financial statements for volunteer services.

### ***Measurement uncertainty***

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingencies at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The valuation of liabilities, unpaid grants and unpaid claims anticipates the combined outcomes of events that are yet to occur. There is uncertainty inherent in any such estimation and therefore a limitation upon the accuracy of these valuations. Future loss emergence may deviate from these estimates.

#### **4. Investment in Subsidiaries**

Investment in the Society's subsidiaries is recorded at cost:

	<b>2013</b>	<b>2012</b>
LAWPRO	<b>35,642,000</b>	35,642,000
LibraryCo	<b>100</b>	100
Total investment in subsidiaries	<b>35,642,100</b>	35,642,100

##### **LAWPRO**

The Society provides mandatory professional liability insurance to lawyers through LAWPRO, a provincially licensed insurer and wholly-owned subsidiary of the Society.

The professional liability insurance program generally requires practising lawyers to pay premiums and levies to the E&O Fund that contribute toward the premium paid by the Society to fund the anticipated costs of professional liability claims made in each annual policy period.

Paralegals obtain this form of coverage through independent insurance companies. In addition to providing mandatory lawyers professional liability insurance, LAWPRO also sells optional excess lawyers professional liability and title insurance.

The \$5 million in capital stock of LAWPRO comprises 30,000 common shares of par value of \$100 each and 20,000 6% non-cumulative, redeemable, non-voting preferred shares. In the period from 1995 to 1997, the Society transferred a net amount of \$30.6 million in capitalization funding as contributed surplus to LAWPRO.

As required by Canadian generally accepted accounting principles, LAWPRO, a publicly accountable entity, adopted International Financial Reporting Standards ("IFRS") commencing in its financial year ended December 31, 2011.

There are therefore significant differences in the accounting policies of LAWPRO and the Society, but because the two organizations are so different and LAWPRO is not consolidated, variances arising from the different financial reporting framework adopted by the two organizations have not been reconciled.

Summarized balance sheet of LAWPRO:

(\$000's)	2013	2012
Total assets	<b>645,436</b>	610,759
Total liabilities	<b>455,561</b>	439,470
Total shareholder's equity	<b>189,875</b>	171,289
Total liabilities and shareholder's equity	<b>645,436</b>	610,759

Summarized statement of income of LAWPRO for the year ended December 31:

(\$000's)	2013	2012
Revenue	<b>124,274</b>	123,451
Expenses	<b>116,441</b>	126,889
Income (loss) before taxes	<b>7,833</b>	(3,438)
Income tax (expense) recovery	<b>(1,900)</b>	1,206
Net income (loss)	<b>5,933</b>	(2,232)
Other comprehensive income net of tax	<b>12,653</b>	6,246
Comprehensive income	<b>18,586</b>	4,014

Summarized statement of cash flows of LAWPRO for the year ended December 31:

(\$000's)	2013	2012
Net cash inflow from operating activities	<b>20,412</b>	26,078
Net cash outflow from investing activities	<b>(24,264)</b>	(24,637)
Cash and cash equivalents, beginning of year	<b>18,377</b>	16,936
Cash and cash equivalents, end of year	<b>14,525</b>	18,377

LAWPRO administers the operations of the E&O Fund at no charge, under an administrative services agreement. LAWPRO billed the Society \$102,093,000 (2012 - \$99,150,000) for premiums during the year. LAWPRO contributed \$210,000 to a wellness program provided by the Society to its members (2012 - \$nil). Included in the Society's financial statements are amounts due from LAWPRO of \$3,000 (2012 - \$2,565,000).

#### *LibraryCo*

LibraryCo, a wholly-owned, not-for-profit subsidiary of the Society, was established to develop policies, procedures, guidelines and standards for the delivery of county law library services and legal information across Ontario and to administer funding on behalf of the Society. LibraryCo was incorporated under the Business Corporations Act (Ontario) in 2001. The Society holds all of the 100 common shares. Of the 100 special shares, 25 are held by the Toronto Lawyers Association ("TLA") and 75 are held by the County and District Law Presidents' Association ("CDLPA"). The Society may appoint up to four directors, CDLPA may appoint up to three directors and TLA may appoint one director. The investment is recorded at cost on the Society's Balance Sheet.

The Society levies and collects funds for county and district law library purposes and transfers these funds to LibraryCo. Convocation internally restricts these funds for use by county and district law libraries to carry out their annual operations and any special projects approved by Convocation.

Summarized balance sheet of LibraryCo:

(\$000's)	2013	2012
Total assets	<b>909</b>	998
Total liabilities	26	27
Total share capital and fund balances	<b>883</b>	971
Total liabilities, share capital and fund balances	<b>909</b>	998

Summarized statement of income of LibraryCo for the year ended December 31:

(\$000's)	2013	2012
Total revenue	<b>8,230</b>	8,024
Total expenses	<b>8,318</b>	8,087
Deficit	<b>88</b>	63

Summarized statement of cash flows of LibraryCo for the year ended December 31:

(\$000's)	2013	2012
Net cash outflow from operating activities	(98)	(152)
Cash and short-term investments, beginning of year	962	1,114
Cash and short-term investments, end of year	<b>864</b>	962

The Society administers the operations of LibraryCo under an administrative services agreement. The total amount billed by the Society was \$591,000 (2012 – \$585,000) for administrative services and certain other services and publications. Included in the Society's accounts receivable are amounts due from LibraryCo of \$8,000 (2012 – \$8,000).

## 5. Related Corporation

The Law Society Foundation (“LSF”) is regarded as a related corporation, although the Society does not have an equity interest in the LSF.

The LSF, a registered charity, was incorporated by Letters Patent in 1962. The objectives of the LSF are to foster, encourage and promote legal education in Ontario, provide financial assistance to licensing process candidates in Ontario, restore and preserve land and buildings of historical significance to Canada’s legal heritage, receive gifts of muniments and legal memorabilia of interest and significance to Canada’s legal heritage, maintain a collection of gifts of books and other written material for use by educational

institutions in Canada, receive donations and maintain funds for the relief of poverty by providing meals to persons in need.

The Society provides facilities, administration, accounting, security and certain other services at no cost to the LSF. Trustees of the LSF are elected by the members of the LSF. Included in the Society's accounts receivable are amounts due from the LSF of \$30,000 (2012 – \$27,000).

## **6. Portfolio Investments**

(\$000's)	2013	2012
Debt securities	<b>62,665</b>	58,494
Canadian equities	<b>14,484</b>	12,370
Total portfolio investments	<b>77,149</b>	70,864

The debt securities have effective interest rates and maturity dates as follows:

	2013	2012
Effective interest rates (%)	<b>1.4 – 3.1</b>	1.2 – 3.2
Maturity dates (years)	<b>1 - 5</b>	1 - 5

## **7. Capital Assets**

(\$000's)	2013		
	Cost	Accumulated Amortization	Net
Land and buildings	25,395	21,071	4,324
Building improvements	22,994	15,160	7,834
Furniture, equipment and computer hardware and software	7,901	6,406	1,495
<b>Total capital assets</b>	<b>56,290</b>	<b>42,637</b>	<b>13,653</b>

(\$000's)	2012		
	Cost	Accumulated Amortization	Net
Land and buildings	25,396	20,521	4,875
Building improvements	21,744	13,274	8,470
Furniture, equipment and computer hardware and software	7,579	6,180	1,399
<b>Total capital assets</b>	<b>54,719</b>	<b>39,975</b>	<b>14,744</b>

## **8. Accounts Payable and Accrued Liabilities and Accounts Receivable**

Included in accounts payable is \$934,000 in government remittances, primarily sales taxes (2012 – \$743,000).

The accounts receivable balance comprises:

(\$000's)	2013	2012
Accounts receivable	15,352	14,056
Allowance for doubtful accounts	12,858	11,907
<b>Accounts receivable - net</b>	<b>2,494</b>	<b>2,149</b>

The allowance for doubtful accounts mainly relates to monitoring and enforcement receivables and annual fees receivable.

## **9. Provision for Unpaid Grants / Claims**

(\$000's)	2013	2012
Provision for unpaid grants – Compensation Fund	9,835	10,284
Provision for unpaid claims – E&O Fund	168	391
<b>TOTAL</b>	<b>10,003</b>	<b>10,675</b>

## **10. Unclaimed Trust Funds**

Section 59.6 of the Law Society Act permits a member who has held money in trust for, or on account of, a person for a period of at least two years, to apply in accordance with the by-laws for permission to pay the money to the Society. Money paid to the Society is held in trust in perpetuity for the purpose of satisfying the claims of the persons who are entitled to the capital amount. Subject to certain provisions in the Act enabling the Society to recover its expenses associated with maintaining these funds, net income from the money held in trust shall be paid to the Law Foundation of Ontario. Unclaimed money held in trust amounts to \$3,195,000 (2012 – \$2,747,000).

## **11. Other Trust Funds**

The Society administers client funds for members under voluntary or court-ordered trusteeships. These funds and matching liabilities are not reflected on the Balance Sheet. Money paid to the Society is held in trust until it is repaid to the clients or transferred to the Unclaimed Trust Funds. At December 31, 2013, total funds held in trust amount to \$2,760,000 (2012 – \$3,838,000).

## **12. Other Revenues**

Included in other revenues is income from the *Ontario Reports*, catering, the Law Society Referral Service and specialist certification.

## **13. Investment Income**

Investment income is summarized below (\$'000s):

	<b>2013</b>	<b>2012</b>
Dividends and interest	2,555	2,465
Realized gains	608	522
Unrealized gains	1,516	414
<b>TOTAL</b>	<b>4,679</b>	<b>3,401</b>

## **14. Other Expenses**

Included in Convocation, policy and outreach expenses are payments for the total remuneration of elected and ex-officio benchers, lay benchers and Paralegal Standing Committee members during the year of \$836,000 (2012 – \$1,022,000). The total expense reimbursements of the elected and ex-officio benchers, lay benchers and Paralegal Standing Committee members during the year was \$557,000 (2012 – \$723,000). The Treasurer's honorarium for the year was \$176,000 (2012 – \$142,000).

## **15. Interfund Transfers**

During the year the following interfund transfers took place:

- \$2,430,000 transferred from the Capital Allocation Fund to the Invested in Capital Assets Fund representing assets capitalized during the year in compliance with the Law Society's accounting policies.
- \$65,000 transferred from the General Fund to the County Libraries Fund.
- Transfer of \$100,000 from the General Fund to the Repayable Allowance Fund, as provided in the 2013 budget to fund the Repayable Allowance Program in the Licensing Process.
- Transfer of \$219,000 from the General Fund to the Special Projects Fund.
- Transfer of \$3,000,000 from the E&O Fund to the General Fund as provided in the 2013 budget representing surplus investment income.
- Transfer of \$10,675,000 from the Working Capital Reserve to the General Fund.

## **16. Pension Plan**

The Society maintains a defined contribution plan for all eligible employees of the Society. Each member of the plan, other than designated employees, elect to contribute matching employee and employer contributions from 1% to 6% of annual earnings up to the maximum deduction allowed by the Canada Revenue Agency. Designated employees, who hold executive positions, have contributions made to the plan by the Society equivalent to 12% of annual earnings up to the maximum deduction allowed by the Canada Revenue Agency. The Society's pension expense in 2013 amounted to \$2,495,000 (2012 – \$2,357,000).

## **17. Commitments**

The Society is committed to monthly lease payments for property under leases having various terms up to April 2020. Aggregate minimum annual payments to the expiry of the leases are as follows:

2014	959,000
2015	955,000
2016	922,000
2017	923,000
2018	926,000
Thereafter	1,237,000

In 2011, the Society renewed a five-year commitment in the annual amount of \$138,000 to the Law Commission of Ontario to support its operations.

## **18. Contingent Liabilities**

A number of claims or potential claims are pending against the Society. It is not possible for the Society to predict with any certainty the outcomes of such claims or potential claims. Except as set out in the next paragraph, management is of the opinion, based on the information presently available, that it is unlikely any liability, to the extent not covered by insurance or inclusion in the financial statements, would be material to the Society's financial position.

Members failing to meet their professional and ethical obligations are subject to the Society's regulatory process. Regulatory proceedings may result in cost awards against the Society. At the end of 2013, in management's judgement, there is at least a reasonable possibility that a contingent liability relating to one or more cost awards may exist but the amount of any losses cannot be reliably estimated. From its regulatory proceedings, the Society has determined that the ultimate settlement for possible cost awards could range from nil to approximately \$5 million. No amount has been recorded in the financial statements.

## **19. Comparative Figures**

Certain prior year's comparative figures have been reclassified to conform to the current year's financial statement presentation.

**THE LAW SOCIETY OF UPPER CANADA**  
**Schedule of Restricted Funds**

*Stated in thousands of dollars*

For the year ended December 31



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